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SUBJECT: KAZAKHSTAN: DEPUTY PRIME MINISTER EVALUATES PPEPI

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11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On November 6, the Ambassador, USAID's Mission Director for Central Asia, and the American Chamber of Commerce in Kazakhstan's Executive Director discussed the U.S.-Kazakhstan Public Private Economic Partnership Initiative (PPEPI) with Deputy Prime Minister Yerbol Orynbayev. Orynbayev shared his concerns about the first draft of white papers, private-sector involvement, and communication from the PPEPI Secretariat. For the next phase of the project, they agreed to establish goals and priorities, focusing less on reports and more on implementation. END SUMMARY.

GOALS AND PRIORITIES

13. (SBU) Arriving at the November 6 meeting with Deputy Prime Minister Yerbol Orynbayev, the Ambassador, USAID's Mission Director for Central Asia Andrew Sisson, and the American Chamber of Commerce in Kazakhstan's (AmCham) Executive Director Doris Bradbury greeted the Kazakhstani government's unusually large delegation, which numbered 11 and included the Deputy Foreign Minister Kairat Umarov. The Ambassador thanked Orynbayev for his serious involvement in the U.S.-Kazakhstan Public Private Economic Partnership Initiative (PPEPI). This policy reform project is unique, he asserted, because it marries government and private-sector expertise in an effort to build Kazakhstan's economy. The Ambassador also highlighted the four other projects in the U.S.-Kazakhstani co-funded Program for Economic Development (PED), emphasizing the importance of coordinated efforts.

14. (SBU) The Ambassador responded to the government's October 20 PPEPI Action Plan, which relies heavily on exchanges, by noting existing U.S. exchange programs. He recalled Orynbayev's October 30 meeting with Deputy Assistant Secretary of State for South and Central Asian Affairs George Krol at which the Deputy Prime Minister had emphasized the need to "turn recommendations into results by setting annual priorities" (reftel). The Ambassador suggested that PPEPI focus on recommendations to better implement Kazakhstan's

current laws and regulations, many of which answer private-sector concerns, as well as identify and propose further legislation needed. The Ambassador summarized the discussion with two words, "goals and priorities. We need to know where we are going, and how we are going to get there."

PPEPI -- MORE THAN JUST REPORTS

15. (SBU) Orynbayev responded by underscoring the existence of numerous international and local studies and proposals on economic development. "We do not want PPEPI to become only a research project, which turns into another paper. We have enough of those," he said. Regarding PPEPI's white papers, Orynbayev stated, "Some were good, some were very good, but some were not so deep." He also mentioned his dissatisfaction with the involvement of the private sector and asked to expand the pool of participants beyond the two business associations named in the project proposal. He specifically recommended other business associations in Karaganda and Almaty, which have good reputations and energetic leadership. Finally, Orynbayev relayed complaints about the communication of the PPEPI Secretariat (i.e., AmCham), especially its reliance on relatively short-notice email rather than hard-copy correspondence. He said, "I know this works for you, but it's not yet part of our culture."

16. (SBU) Orynbayev concurred with the Ambassador's "focus on legislation, regulations -- more specifically on results" and annual discussion of priorities. He illustrated his point by highlighting the Ministry of Finance's Action Plan priority to improve government procurement practices, which is also tied to the anti-corruption campaign. Next year, he said, PPEPI could develop a practical recommendation, and the private sector could help monitor its implementation.

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17. (SBU) Expressing his appreciation for Orynbayev's pragmatism and directness, the Ambassador recalled previous conversations on these points. He acknowledged his awareness that Kazakhstani private-sector involvement has lagged. He highlighted the addition of new businesses to the working groups, which remain under development. The Ambassador pledged to consider seriously Orynbayev's recommendations on business associations, especially "because the name and definition of the program is public-private." He thanked Orynbayev for his ideas to improve the Secretariat and his focus on priorities and goals. Noting the Ministry of Finance recommendation, the Ambassador agreed that "government tenders throughout the world, including in the United States, are one of the most open doors to corruption." He termed the idea of using the private sector to help monitor the new process excellent, especially since all reform depends on implementation.

PPEPI IMPROVEMENTS

18. (SBU) Amcham's Executive Director Bradbury highlighted her efforts to expand working group participation beyond the two original business associations, which has led to at least two private sector representatives per group. She noted her concern about government representatives' inconsistent working-group attendance. On the issue of communication, she asserted that AmCham emails and calls, but designated officials often fail to personally attend, sending representatives instead. Bradbury asserted that their continued involvement would improve future white papers. She explained her view of the current white papers as a "modest first effort to start a dialogue with the government, which was achieved even if the papers were not perfect," and noted that revised final versions are nearly completed.

19. (SBU) Orynbayev conveyed his appreciation for Amcham's input, asserting that his critique aimed only to improve the project. He promised to convey his assignment of government officials to the working groups. He welcomed the expanded list of private-sector participants, including a number of well-known, active businessmen, but again encouraged consideration of regional business associations. According to Orynbayev, many such groups exist in Kazakhstan. Because they do not hesitate to raise issues, they will

enliven the project, he asserted.

¶10. (SBU) Orynbayev concluded by thanking the Ambassador for his active involvement in the project and quick response to the government's Action Plan. He recommended that Amcham and the National Analytical Center work together on a specific proposal for PPEPI's next phase, an "Action Plan for 2010." The Ambassador concurred with this proposal, thanked Orynbayev for his personal involvement, and pledged continued engagement on the project.

¶11. (SBU) COMMENT: The Deputy Prime Minister's personal involvement in PPEPI continues to bode well for the future of the project, and we want to build on his personal commitment to achieve success. AmCham has accomplished a good deal of work in a relatively short period, despite differing cultures and personalities. As we move toward the end of the first year of PPEPI, we will evaluate closely the best way forward to continue to implement this important project. END COMMENT.

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